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COMMERCE, DEPARTMENT OF

Property taxes continued to be the main source of revenue for counties, municipalities, and towns during 1976-77, according to a report on tax and intergovernmental revenue published recently by the Census Bureau. The report notes, however, that there is a developing trend toward finding alternate tax revenue sources to property tax, as shown by the rapid growth of nonproperty taxes over the period in question. The report, "Taxes and Intergovernmental Revenue of Counties, Municipalities, and Townships: 1976-77", is available from the Publications Section, Bureau of Census, Washington, D.C. 20233 for $.50 each (S/N GF77, No.9).

COMMODITY FUTURES TRADING COMMISSION

The final rule on the suspension of commodity options trading was published in the 6/1/78 Fed. Reg., pp.23704-08. As adopted by the Commission, the rule provides for an exemption from the suspension for certain firms to continue to sell options if the firms meet certain standards. The standards adopted by the Commission incorporate proposals presently before Congress which would regulate option sales. These rules are effective as of 6/1/78.

FEDERAL HOME LOAN BANK BOARD

A final rule on the operation of electronic fund transfers through remote service units appeared in the 5/30/78 Fed. Reg., pp.22929-31. The regulations, which replace temporary RSU regulations expiring on 6/30/78, include consumer protection provisions, remove deadlines for RSU application and operating periods, and revise, shorten and simplify existing requirements. The regulations will become effective on 7/1/78.

GENERAL ACCOUNTING OFFICE

The 1977 Annual Report of the Comptroller General is now available. The annual publication features reports on the GAO's activities in such areas as procurement, financial and general management studies, program analysis, and economic development. In addition, it includes sections providing details on the number and subject of audit reports issued during 1977, legislation enacted, financial statements of the GAO, and the location and key personnel of regional offices.

HEALTH, EDUCATION, AND WELFARE, DEPARTMENT OF

An amendment mandating the use of uniform functional accounting and statistical systems by health care providers participating in Federal Medicare-Medicaid programs will be offered during this week's scheduled mark-up of the Hospital Cost Containment Act (HR 6575) now pending before the House Commerce Committee. The Cost Containment bill in its present form provides for stand-by federal authority to impose restraints on provider costs should they exceed an established rate. The "rate accounting" requirement would take effect at once whether or not the cost containment legislation is "triggered."

Congressman John E. Moss (D-Calif.), sponsor of the amendment, has stated that, despite the requirements in PL 95-142 (Medicare-Medicaid Fraud and Abuse Amendments of 1977) for uniform reporting by all health care providers in the federal reimbursement program, he feels this additional requirement will provide information in a manner needed by government policy-makers in their effort to combat increasing health care costs.

The AICPA Federal Government Division has commented in opposition to the amendment stating that the existing requirements for uniform reporting by affected health care providers will provide the necessary cost information. Requiring the use of uniform functional accounting and statistical systems is considered to be of little significant benefit in controlling health care costs.

LABOR, DEPARTMENT OF

The Departments of Labor and Treasury have completed a draft memorandum of understanding which realigns their respective responsibilities under ERISA. Under the terms agreed upon, DOL would transfer to Treasury all authority to issue regulations, rulings, opinions, waivers, and variances under those sections of Title I and II of ERISA concerning participation, vesting, and funding except forfeiture of accrued benefits and recordkeeping and reporting for plans covered under parts 2 and 3 of Title II. Treasury would also be granted authority to issue rulings, regulations and opinions under sections of the Internal Revenue Code concerning deductions for contributions, participation, vesting, funding, and collectively bargained plans, with the exception of Code sections on the suspension of benefits on reemployment under the definitions of collective bargaining plan and agreement. The Secretary of Labor's authority to issue regulations, rulings and opinions on certain definitions in Title I would also be transferred to Treasury.

In addition, the agreement calls for the Department of Treasury to cede all authority to issue regulations, rulings and opinions and exemptions under the prohibited transaction provisions of the Code, with the exception of those sections dealing with certain taxes, IRAs, ESOPs, the definitions of plan and ESOP, and to a limited degree, enforcement of the excise tax on prohibited transactions and provisions on joint and several liability, taxable periods, amounts involved in a prohibited transaction, correction of a prohibited transaction, and the correction period. Treasury also agrees not to make determinations on whether a plan meets ERISA's fiduciary responsibility requirements in issuing a determination letter. The terms of this memorandum would not affect the ability of DOL to enforce ERISA, nor the ability of the Treasury Department to audit plans and employers or to exercise its enforcement rights. However, both departments have agreed to abide by rulings and regulations issued by the other where applicable. The draft memorandum also provides that any delegation of authority would not extend beyond two years unless extended by reorganization legislation.

NUCLEAR REGULATORY COMMISSION

Proposed rules on safeguards on nuclear material were published in the 5/25/78 Fed Reg., pp.22365-73. The regulations contain provisions on material accounting and control and accounting reports and inspections. Comments on the proposals are due by 7/24/78.

OFFICE OF MANAGEMENT AND BUDGET

The standardization and coordination of government program regulations is currently receiving support from both the legislative and executive branches. Legislation

(S.3144) has been introduced by Sen. Thomas McIntyre (D-NH) which would, among other things, standardize reporting, recordkeeping and audit requirements for federally assisted programs. Essentially a paperwork reduction proposal, S.3144 also provides for increased cooperation between federal, state and local authorities on audits of such programs. This would mean the performance of a single audit by local or state auditors as opposed to the current system where each governmental unit involved in the program provides for a separate audit to be performed to meet their own needs.

In a related development, the OMB is calling for a legislative mandate simplifying and standardizing federal assistance regulations. The agency is also working on such regulatory improvements as the elimination of the necessity for multiple agency program reviews and the use of state auditors to perform one-time reviews of federally assisted programs.

SMALL BUSINESS ADMINISTRATION

An increase in the dollar limitation for those CPA firms participating in the small business "set aside" program has been proposed. Currently, those CPA firms with annual revenues of $2 million or below can participate. The new proposed size standard would be increased to $5 million. The agency anticipates that the effect of this change will be to increase the small business market share approximately 8 percent, making it more comparable with that share accounted for by other professional service industries. The new provision would state that any firm bidding on contracts for accounting or auditing services is classified as small if its average annual receipts for its preceding 3 fiscal years do not exceed $5 million.

The Small Business Administration is anxious to receive comments on this proposed change, and anyone wishing to comment may do so by writing to: Director, Size Standards Division, Small Business Administration, 1441 L Street, N.W., Washington, D.C. 20416. For additional information contact John D. Whitmore 202/653-6373.

In addition, the AICPA Federal Government Division will be reviewing this proposal, and anyone who would like to assist in the review should feel free to contact the AICPA Washington office, 202/872-8190.

STATE, DEPARTMENT OF

Notice of an open meeting of the Working Group on Accounting Standards of the Advisory Committee on Transnational Enterprises appeared in the 5/31/78 Fed. Reg., p.23668. The meeting will be held on 6/27/78 in Conference Room 1205 of the State Department, 2201 C Street, N.W., Washington, D.C., from 9:30 a.m. to 12:30 p.m. The purpose of the meeting is to review developments on the standardization of accounting practices within the UN, OECD, and international and national professional groups. For further information, or to arrange attendance at the meeting, contact Richard Kauzlarich at 202/632-2728.

TREASURY, DEPARTMENT OF

An expanded tuition tax credit bill has been approved by the House of Representatives despite the threat of a Presidential veto. As approved by the House, HR 12050 would provide a tuition credit of up to $250 a year for college students and up to $100 a year for elementary and secondary school students. The credit would be phased in starting in the fall semester of 1978 at $100 for college costs and $50 for elementary and secondary school costs and rise to the maximum figure by 1980. Opponents contend the expanded bill may be judged unconstitutional. The tuition tax credit bill now moves to the Senate where the Finance Committee has already approved a larger credit.

The AICPA Federal Tax Division opposes the IRS proposal to adopt a "single-level" appeal system. In comments filed with the IRS, the AICPA stated that the current two level appeal system for resolving disputes is working well and a change to a single level of appeal is unnecessary and might even be more costly to taxpayers. Taking issue with an IRS study that found that the merger would result in significant savings, the AICPA noted that the proposed system would require the IRS to hire and train additional staff, pressure taxpayers to engage professional counsel and encourage taxpayers to go directly to Tax Court where cases are currently backlogged. The AICPA comments were based on the results of an informal survey of 400 tax experts.

Anyone wishing to receive one free copy of the AICPA's comments may do so by contacting our Washington office prior to 6/14/78 and requesting Document 15-1 Telephone requests are encouraged and should be directed to extension 47.

Proposed regulations for defined benefit pension plans for self-employed or shareholder employees appeared in the 5/26/78 Fed. Reg., pp.22734-47. They would apply to individuals with "Keogh plans" or shareholder-employees of electing Subchapter S corporations. They would provide rules for maximum benefits for "career average pay" or "final average pay" plans. These rules would apply to employer's taxable years beginning after 12/31/75. Comments or a request for a hearing on these rules are due by 7/25/78. For more information, contact Richard J. Wickersham at 202/566-3289.

A booklet entitled The Collection Process (Employment Tax Accounts) is available from the IRS. Designed to explain the rights and duties of a taxpayer owing a bill for Employer's Quarterly Federal Taxes, the booklet provides information on payment procedures, enforced collection policy, claims procedures, taxpayer rights and Federal tax deposits. The booklet, Publication 594, is available at local IRS offices.

Proposed rules on the limit on the deductibility of capital losses by taxpayers other than corporations have been issued by the IRS (see the 5/31/78 Fed. Reg., pp.23607-08). These rules reflect changes made by the Tax Reform Act of 1976 which increase the maximum amount of capital loss deduction from $1,000 to $2,000 for taxable years beginning in 1977 and to $3,000 after 1977. Comments on the proposed rules are due by 7/31/78.

Regulations on the tax treatment of a gain from the sale or exchange of depreciable property between related taxpayers have been proposed. (See the 5/31/78 Fed. Reg., pp.23608-10). The rules would apply to the sale or exchange of property after 10/4/76 by "related persons" which would include a husband and wife, an individual and a corporation or two or more corporations where the same individual owns 80% or more of each. Comments and a request for a hearing are due by 7/31/78. For further information, contact Leonard Marcinko at 202/566-3297.

SPECIAL: WHITE HOUSE SEEKS PUBLIC COMMENT ON "SUNSET" REVIEW

President Carter has urged public participation in the recently proposed procedures for Federal departments to improve the regulatory process. Under

Executive Order 12044, "Improving Government Regulations" each executive agency is required to publish the new procedures in the Federal Register along with lists of existing regulations proposed for review. (See the 3/27/78 Wash. Report). In a statement released by the White House on 5/31/78, President Carter urged the public to give its advice on whether the new procedures will do the job and whether the agencies have selected the right targets for "sunset" review. A list of the proposed new procedures appeared in the 6/2/78 Fed. Reg., p.24212 and public comments are due by late July.

SPECIAL: SUPREME COURT RULES ON ATTORNEY SOLICITATION

Attorneys who offer their services to commercial clients may be subject to bar association disciplinary proceedings while nonprofit organizations may be free to solicit potential clients as a means of political expression according to two recent Supreme Court decisions. The Court upheld the bar association ban on solicitation for personal monetary gain or the prohibition against "ambulance chasing" in Ohralik v. Ohio State Bar Association and found that an offer of free help to potential clients by a nonprofit organization after informing them of their legal rights was not unethical solicitation (In re Primus). These solicitation decisions are expected to have an impact on the ethical requirements of other professional associations.

For further information contact:
Susan Retter or Steve Woolf
202/872-8190

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